

Infrastructural Aspects of Intensification of Entrepreneurial Activity as A Vector of Modern Global Economy Development

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Abstract

The problem of the research consists in the fact that despite the importance and significance of the infrastructure, it does not fully satisfy the needs of modern international business by quantitative (growing deficit) and qualitative (quick aging) characteristics. The working hypothesis of the research is the proprietary hypothesis that the cause of the existing situation and emergence of the problem is presence of contradictions in development of infrastructure of entrepreneurship in the global markets. The purpose of the article is to verify the offered hypothesis, to determine contradictions in entrepreneurship's infrastructure in the global markets, and to determine their influence on development of international business. Methodology of the research is based on the use of the method of systemic and problem analysis, analysis of causal connections, synthesis, induction, deduction, formalization, and method of modeling of socio-economic systems for developing the model of development of entrepreneurship's infrastructure in the global markets. Modern entrepreneurship's infrastructure in the global markets is peculiar for systemic contradictions related to deepening of the gap between level of development of entrepreneurship's infrastructure in developed and developing countries with increase of globalization and integration processes in the world economy, preservation of state regulation's domination in the processes of creation and functioning of the main objects of entrepreneurship's infrastructure, in spite of common market conditions, and simultaneous belonging of entrepreneurship's infrastructure to public and private goods. The determined contradictions influence negatively the development of international business, causing and stimulating strengthening of underrun of the current level and possibilities of the global business infrastructure from actual needs of international entrepreneurship. This problem could be solved with the author's model of development of entrepreneurship's infrastructure in the global markets, which is based on the mechanism of public-private partnership and the corresponding recommendations.

Keywords: Entrepreneurship's infrastructure, entrepreneurial activity, global economy

Introduction

In the age of globalization, national economies become more integrated into the global economic system. Geographical boundaries are erased, production becomes global, and entrepreneurial structures stop concentrating on a certain territory, entering the world markets. With development of international trade, powerful economic bases are created and developed on the territory of foreign countries. Thus, the need for global entrepreneurship's infrastructure grows, which is a basis of functioning and development of transnational business.

Under the influence of globalization, national economies become more open and interdependent with other countries. On the one hand, this opens wider possibilities for them, on the other hand, it increases the necessity to struggle for resources, investments, and capital. One of the most important factors of global competitiveness and means of attraction of international business for modern economic systems is the development of business infrastructure. Thus, the topicality of development of global entrepreneurship's infrastructure and its popularity among all participants of international economic relations grows.

However, despite importance and significance of such infrastructure, it does not fully correspond to needs of modern international business as to quantitative (growing deficit) and qualitative (quick aging) characteristics. This constitutes serious scientific and practical problem, as without the corresponding infrastructure, the level of development of transnational entrepreneurship and the rate of growth of global economy are restrained.

The working hypothesis of this research is the author's idea that the reason of the existing situation and emergence of this problem is contradictions in development of entrepreneurship's infrastructure in the global markets. The purpose of the article is to verify the offered hypothesis and study infrastructural aspects of intensification of entrepreneurial activity as a vector of development of modern global economy.

In this research, the term "entrepreneurship" is treated as business on the whole, including small, medium, and large business. "Business infrastructure" is a totality of conditions for conduct of business relations that unite these relations into a single whole. "Human capital" is a totality of knowledge, capabilities, and skills used for satisfaction of multiple needs of human and society on the whole.

Study of contradictions of business infrastructure in the world markets is an important scientific and practical issue, as it allows shedding

light on weak spots of this infrastructure and developing tools for their elimination. This will create conditions for more intense transnational business, increasing effectiveness of modern world economy, and accelerating its development in the long-term. Study of contradictions of business infrastructure in the world markets expands the existing scientific knowledge by determining the specifics and barriers on the path of development of international business.

I.

The subjects of international business development are very popular in modern scientific environment. The notion, sense, and specifics of functioning of entrepreneurship in the global markets are studied in a lot of works of modern researchers and experts: (Bhanumurthy & Singh, 2013), (Škare & Sinković, 2013), (Bozkurt et al., 2015), (Teekasap, 2014), (Caporale & Spagnolo, 2012), (Gehring, 2014), (Jahfer & Inoue, 2014), (Md. Al & Sohag, 2015), (Popkova et al., 2013b), (Popkova et al., 2013a), and (Popkova & Tinyakova, 2013a).

The issues of creation and management of global business infrastructure are also actively discussed by the scientific society. Theoretical & methodological and practical peculiarities of infrastructural provision of transnational entrepreneurship are viewed in multiple works by (Popkova & Tinyakova, 2013b), and (Popkova & Tinyakova, 2013c). Maximization of rates of economic growth is studied in the following works: (Popkova et al., 2015), (Gallié et al., 2013), (Mantaeva & Kurkudinova, 2012), (Mihajlović, 2014), (Nica, 2010), (Reveiu & Dârdală, 2015), (Vanka et al., 2012), (Xavier Molina-Morales et al., 2015), (Aragón et al., 2014), (Emmoth et al., 2015) (Revoltella et al. 2016), (Menshchikova & Tribunskaya, 2015), (Roig-Tierno et al. 2015), (Valeryevna et al., 2014), (Ulesov et al., 2013).

The performed analysis of publications on the topic of the research showed that they study only certain aspects of the viewed problem, while contradictions of entrepreneurship's infrastructure in the global markets are not well-studied, and their solutions are not found. This does not allow solving the set problem and predetermines the necessity for further research in this sphere.

Methodology of this research is based on the use of the method of systemic and problem analysis, analysis of causal connections, method of synthesis, induction, deduction, formalization, and method of modeling of socio-economic systems for building the model of development of entrepreneurship's infrastructure in the global markets.

It is possible to distinguish three most important contradictions of entrepreneurship's infrastructure in the global markets. The first contradiction is related to deepening of the gap in the level of development

of entrepreneurship's infrastructure in developed and developing countries with strengthening of globalization and integration processes in the global economy.

This is proved by annual increase of the value the KOF Index of Globalization, according to the ETH Zurich (Swiss Federal Institute of Technology), KOF Swiss Economic Institute, and growth of underrun of a group of developing countries from a group of developed countries by the value of index of business infrastructure according to the Global Competitiveness Report 2015–2016. World Economic Forum (Table 1).

Table 1. Dynamics of values of index of economic globalization and index of business infrastructure in 2000-2015

Indicators	Values of indicators for the periods			
	2000	2005	2010	2015
Index of economic globalization on the average in the world, %	55.06	58.38	60.06	61.1
Index of business infrastructure on the average in developed countries, points	4.35	4.4	4.42	4.46
Index of business infrastructure on the average in developing countries, points	2.89	2.92	2.93	2.95
Underrun of developing countries from developed countries as to the index of business infrastructure, %	33.56	33.64	33.71	33.86

Source: Compiled by the author on the basis of materials (Dreher & Sturm, 2016), (Barghini et al., 2015), (Schwab, 2016).

As is seen from Table 1, index of economic globalization on the average in the world grew by 10.96% in 2015 as compared to 2000, constituting 61.1%. At the same time, underrun of developing countries from developed countries as to index of business infrastructure grew annually over the studied period, constituting 33.86% in 2015. This contradiction is a reason for limited possibilities of optimization of the system of production location in the global economy and low effectiveness of distribution networks' work.

The second contradiction is caused by preservation of domination of state regulation of the processes of creation and functioning of the main objects of entrepreneurship's infrastructure – despite common market conditions. In other words, in most countries of the world ownership of the objects of business infrastructure belongs to the state, and it conducts management of these objects.

This is proved by significant increase of the 50% share of state business infrastructure in its general structure – according to the Global Competitiveness Report 2015–2016.

Table 2. Dynamics of the share of state business infrastructure and index of economic freedom in 2005-2015

Indicators	Values of indicators for the periods			
	2000	2005	2010	2015
Share of state business infrastructure in its general structure, %	87.6	84.1	82.3	79.5
Index of economic freedom on the average in the world, points	58.6	61.2	63.4	65.7

Source: Compiled by the author on the basis of materials (Barghini et al., 2015), (Schwab, 2016).

As is seen from Table 2, despite the fact that the share of state business infrastructure in its general structure reduced by 9.24% in 2015, as compared to 2000, when it constituted more than a half – 79.5%. Over this period, index of economic freedom increases by 12.11% on the average in the world, constituting 65.7 points in 2015. Inflexibility of the state is often a reason of the low quality of business infrastructure objects. Limitation of budget assets reduces possibilities for its development, which leads to increase of its deficit.

Its main cause lies in the third contradiction, predetermined by simultaneous belonging of entrepreneurship's infrastructure to public and private goods. Thus, on the one hand, infrastructure, as a rule, consists of mass use objects; it is impossible to limit the access to them and charge the fee. In this case, business-infrastructure is a public good. Here we speak of transport & logistic and institutional infrastructure.

On the other hand, in certain cases business-infrastructure includes objects the access to which is provided on the individual basis, which allows their suppliers to receive commercial benefit from that. In this case, business-infrastructure is a private benefit. This usually is true for financial and human infrastructure.

The found contradictions are a reason for emergence and deepening of the problems of development of entrepreneurship's infrastructure in the global markets, the most important of which consists in non-correspondence of the current level and possibilities of global business infrastructure to actual needs of international entrepreneurship, in spite of its active and dynamic development.

Bases on the performed analysis, it is possible to conclude that delay in development of business infrastructure in the global markets is caused by the found contradictions. More thorough consideration allows seeing that the main cause lies in strictly limited and insufficient participation of private business in creation of entrepreneurship's infrastructure in the global markets.

As a result, lack of state financial resources and impossibility of attraction of private investments causes quantitative lack of business infrastructure, and lack of commercial interest – its low quality and weak innovational development. This leads to impossibility of realization of existing potential for internationalization of entrepreneurship, which is proved by Table 1.

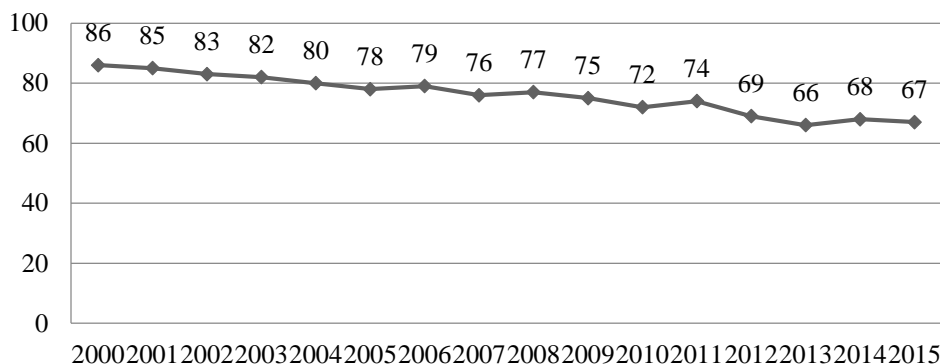


Figure 1. Dynamics of change of the level of satisfaction of international entrepreneurship's needs in global business infrastructure in 2000-2015, %

Source: Compiled by the authors on the basis of (Schwab, 2016).

As is seen from Figure 1, level of satisfaction of international entrepreneurship's needs in global business infrastructure reduced by 22.09% in 2015, as compared to 2000, constituting 67%. This proves significant underrun of current possibilities of development of entrepreneurship's infrastructure from growing needs and its deepening with time.

In order to solve this problem and to eliminate the above contradictions, this work offers the following recommendations for development of entrepreneurship's infrastructure in the global markets. Firstly, it is necessary to create conditions for transition of business infrastructure objects from public to private economic benefits.

This supposes institutionalization of ownership right of private investors for created objects of business infrastructure, i.e., creation of the corresponding normative & legal base, as well as starting the effective system of distribution of permits for creation of such objects on a competitive basis.

Secondly, it is necessary to ensure high investment attractiveness of projects for creation and development of business infrastructure. While previously the focus was on the possibility for getting profit from such projects, now emphasis is made on maximization of such profit – in order to ensure return of investments and growth of income.

This requires establishment of favorable business climate in the sphere of creation of business infrastructure. In particular, it is related to tax stimulation of private investors to financing the infrastructural projects, development of insurance system, provision of state guarantees of investments return, etc.

Realization of the developed recommendations should be based on the corresponding model that reflects the sense and logic of the offered approach to development of entrepreneurship's infrastructure in the global markets and is shown in Fig. 2.

As is seen from Fig. 2, the offered model seeks the goal of development of entrepreneurship's infrastructure in the global markets, which is achieved with the help of eliminating the contradictions of development of entrepreneurship's infrastructure in the global markets. This supposes solving the following tasks: reduction of the gap in the level of development of entrepreneurship's infrastructure in developed and developing countries, elimination of domination of state regulation of creation and functioning of the main objects of entrepreneurship's infrastructure, and re-orientation of entrepreneurship's infrastructure objects from public to private benefits.

The core of the offered model is the mechanism of public-private partnership. The developed recommendations are tools of achievement of the set goal. As a result of realization of this model, massive inflow of private investments into development of business infrastructure in the global markets is expected that leads to elimination of deficit of objects of business infrastructure in the global markets (increase of quantity).

It is also possible to expect the creation of commercial interest in the sphere of business infrastructure development in the global markets and, accordingly, improvement and innovational development of business infrastructure objects in the global markets (growth of quality). As a result, larger satisfaction of the needs of international business is achieved in the global infrastructure, as well as development of transnational entrepreneurship and growth of rate of global economic growth.

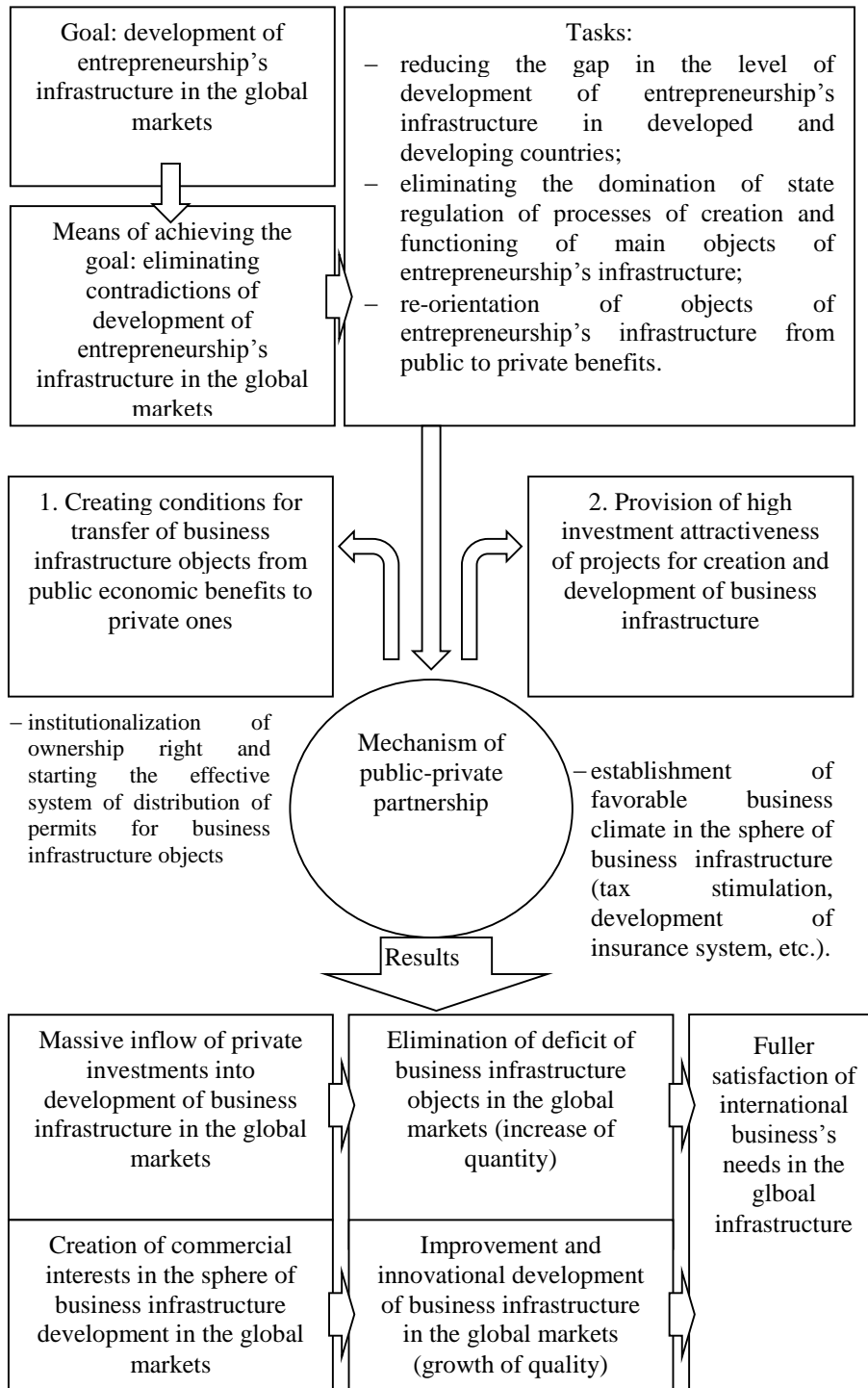


Figure 2. Model of development of entrepreneurship's infrastructure in the global markets
Source: compiled by the authors

Concluding, it is necessary to note that under the conditions of market re-orientation of modern economic systems there are reconsideration and transformation of the sense of a lot of economic benefits, including business infrastructure. This creates preconditions and additional stimuli for activation of the process of commercialization of infrastructural provision of entrepreneurial activities in the global markets.

This also emphasizes correspondence of the offered recommendations to the spontaneous processes that take place in modern global economy system and their harmonic combination with global tendencies in the economic sphere. Based on that, it is possible to expect positive reaction and quick realization of the offered model of entrepreneurship's infrastructure development in the global markets.

Conclusion

Thus, the working hypothesis was proved, and it was confirmed that modern entrepreneurship's infrastructure in the global markets is peculiar for systemic contradictions, related to deepening of the gap in the level of development of entrepreneurship's infrastructure in developed and developing countries with strengthening of globalization and integration processes in the global economy, preservation of domination of state regulation of the processes of creation and functioning of the main subjects of entrepreneurship's infrastructure (despite general market relations), and simultaneous belonging of entrepreneurship's infrastructure to public and private benefits.

They influence negatively the development of international business, being a reason and stimulating underrun of the current level and possibilities of the global business infrastructure from actual needs of international entrepreneurship. This problem could be solved by the proprietary model of entrepreneurship's infrastructure development in the global markets, which is based on the mechanism of public-private partnership, and the corresponding recommendations.

It should be emphasized that despite the applied character of the offered recommendations, they are of a generalized character. This allows using them for development of entrepreneurship's infrastructure in different countries of the world – primarily, in the developing economic systems; at the same time, this requires their detailed elaboration and adaptation to specific economic conditions, which is a perspective direction of further scientific and practical research in this sphere.

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